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The second coming of Steven Cohen

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Conceived as an emergency exit strategy and incubated under intense pressure, Steve Cohen's second corporate incarnation has developed into a childhood prodigy.

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Steve Cohen at Point 72 Asset Management.

While the average hedge fund fell by 1 percent last year, Cohen's so-called family office, Point72 Asset Management, rose close to 16 percent in 2015. A fleet of consultants is scrubbing his tarnished public image through collegiate investment contests, charitable giving and other initiatives. On the legal front, once an all-consuming distraction, he now has much less worry: a pair of landmark insider-trading cases, which had strong bearing on a third case involving an employee, were repudiated by an esteemed judicial panel and turned down for a hearing by the Supreme Court. In large part as a result of that, on Friday, a civil case against Cohen brought by the Securities and Exchange Commission for alleged failures to supervise errant employees in 2013 settled quietly without an admission of guilt or a financial penalty.

In an email to CNBC after the settlement was announced, Cohen said it was "nice to have it over with." To employees, he wrote, "the longer the pending litigation lingered, the more it distracted from the world-class firm that we are building. Resolving the case gives us certainty and opens a path to raising outside capital in the future."

At the same time, Andrew Ceresney, the SEC's head of enforcement, said in a statement that the resolution of his agency's 2½-year undertaking is one that "achieves significant and immediate investor protection and deterrence," thanks to a two-year ban on the supervision of outside capital that's been placed on Cohen and the requirement to implement a compliance monitor inside Point72.

Still, a successful return to managing outside capital isn't guaranteed — which may explain why, even on Friday, Cohen said he was not yet committed to the plan. Some investors may be leery of putting money with a manager whose firm was once indicted. And at a time of market tumult, as the current period appears to be, memories of 2008 — when Point72 predecessor SAC Capital was unable to put up its usual, remarkable returns and instead sank by

18 percent — may also linger.

Since the time of the insider trading charges against SAC Capital in the summer of 2013, which eventually resulted in a $1.2 billion penalty and the return of external assets, there have also been less tangible benefits to Cohen's exile.

Associates say that remodeling his firm into private one managing only Cohen's own money and that of employees and select relatives has had a calming effect. Inside his squat red-and-black office building in suburban Stamford, Connecticut, he still spends time on the trading desk, buying and selling stocks, chatting with underlings about the markets and occasionally balling out traders who lose money for reasons he finds indefensible.

Traders whose books don't perform often still see the door. A senior energy investor who departed this fall after sustaining losses is one recent example, and a handful of others have left recently amid losses and other frustrations, associates say. But for Cohen, trading and management issues are now sandwiched between investor meetings with early-stage companies in Silicon Valley, hosting political fundraisers for his favorite presidential aspirant, New Jersey Gov. Chris Christie, and bidding for art at auction. "It's hard to get on his calendar," says a close ally.

Cohen's resurgence as a renaissance moneyman may be one of the most stunning turnarounds in Wall Street history. After SAC's indictment on multiple counts of criminal securities fraud, he was vilified by many as a fraudster whose traders routinely fleeced regular investors by trafficking in inside information, allowing them to pocket stock gains or avoid losses that those ignorant of the real facts were forced to weather.

In the aftermath of the charges, billions of dollars of firm assets were ring-fenced in order to prevent trading partners from walking away from the fund. Public investors effectively pulled all SAC's outside money, and Cohen and his lieutenants were in lockdown mode. Nowadays, little more than two years after the late-2013 settlement, people barely seem to remember that period.

"It's not surprising that Steve Cohen's doing really well," said Ross Intelisano, a New York based securities litigator who has represented hedge funds and family offices. "I have to presume he wasn't insider trading for 25 years. SAC had so many different trading groups that it's hard to know what he knew or didn't know. The traders below him were prosecuted, and for a variety of legal reasons, they're going to be OK. Clearly there [weren't] enough legal goods to get Steve, and between the legal break and the fact that nobody cares any more, it's been good for him."

A competing fund manager puts it more simply: "Time heals all wounds, right?"

Time, perhaps — and a few legal breaks. In December 2014, a federal appeals court overturned two of the government's biggest insider-trading victories: the convictions of Todd Newman, a former tech-stock trader at a hedge fund called Diamondback Capital, and of Anthony Chiasson, co-founder of a separate hedge fund called Level Global, on charges of profiting from trading two tech stocks based on secret information. Importantly for Cohen, their exoneration raised questions about the conviction of Michael Steinberg, a longtime SAC employee who was accused of insider trading in the same stocks, because of the similarity of the government's cases.

The Justice Department pressed on nonetheless, asking the appeals court judges for a second hearing and, when that request was rejected, seeking Supreme Court review of a key element of the Newman and Chiasson cases. But the high court denied the government's appeal in October, forcing prosecutors to drop their charges against Steinberg as well as six other people who had pleaded guilty to insider-trading charges.

In recent years Preet Bharara, the garrulous Manhattan U.S. Attorney who spearheaded years of aggressive insider-trading prosecutions that resulted in 80 successful convictions, including that of SAC and its affiliates, has been largely mum on the topic of Cohen. But in early October, after the Supreme Court's knockout to his cases against Newman, Chiasson and Steinberg, Bharara offered an oblique criticism of the current state of play at Point72 and beyond. "The Newman decision will create a road map for unscrupulous behavior," he told a conference call with reporters. (Through a spokesman, he declined requests to comment on Cohen's latest legal developments.)

Whatever its impact on future conduct, the Newman case also affected past actions — namely, the SEC's 2013 civil case against Cohen. One of the two employees he allegedly failed to supervise properly, former pharmaceutical portfolio manager Mathew Martoma, is serving a nine-year sentence in prison. He is appealing his securities-fraud conviction on charges of using confidential information to take gains and avoid huge losses on the drug companies Elan and Wyeth. But the other employee is Steinberg — whose dropped charges made him essentially irrelevant to the civil case, ultimately forcing SEC lawyers to excise him from it.

Except for some brief words Friday, Cohen didn't respond to repeated requests to be interviewed for this article. But in a first-ever for a television outlet, he did invite CNBC to his trading floor last May. There, perched at his desk chair in a sea of flat-screen trading monitors, he watched the U.S. markets open tepidly one morning, as blue-chip stocks sank ahead of a rally that would peak at what would become a then-record high after lunch. But Cohen wasn't convinced that it meant much. He was dubious about stock-earnings growth at the market's relatively high prices, and with unemployment already hovering at the then-relatively low level of 5.4 percent, the bull case on the U.S. economy wasn't clear to him. He was expecting another downswing and was telling associates and Point72 employees so in hallway conversations and other discussions.

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Point 72 Asset Management.

Yet Cohen's viewpoint was theirs to either use or dismiss, because his trading was no longer as intertwined with his team's. The old style of doing things — which involved feeding strongly held trading ideas from individual portfolio managers, who focused on unique stock sectors, up to the so-called "Cohen Book," which was the founder's own portfolio, in exchange for a cut of any resultant profits Cohen made — had been de-emphasized. Amid that transition, trader Bill Wappler, who was among other things responsible for gathering the ideas, quit Point72 that spring. (Wappler declined to comment.)

Instead, since unveiling the family office as SAC version 2.0 in April 2014, Cohen was spending his time mentoring younger staffers and spreading the firm's pool of capital — which stood at $11.1 billion as of late December — among a wider net of portfolio managers.

He had also hired Ideo, a design consulting firm, to rethink the physical space in his Stamford headquarters, which now features a nap room with space-age sleeping capsules, expectant-mother parking near the entrance to the building, and a hallway lending library with titles like the Tudor throne drama "Wolf Hall" and the comedian Amy Poehler's "Yes Please!" (Famous contemporary works of art, by the likes of Jeff Koons, Chuck Close, and others have long decorated the ceilings and walls.) On a cardboard standup in one hallway, employees could post stickers on pieces of new furniture they liked and want to keep. Boot camp-style workouts were routinely held on the lawn outside. Meanwhile, as a convenience to Point72 workers who spend summers on New York's

Hamptons beaches, Cohen opened an office space in East Hampton this year to save them the work-week commute.

As part of his corporate remake, Cohen had also turned over nearly the entire senior management staff with an eye toward rooting out future malfeasance. He had parted way with the firm's longtime president, a glad-handing 15-year firm veteran named Tom Conheeney, as well as his chief operating officer, general counsel, who had appeared on Cohen's behalf in court days after undergoing appendix surgery, and his head compliance officer. Their replacements included a retired McKinsey consultant who had once worked at the Central Intelligence Agency, a former Connecticut U.S. Attorney, and a contract with the data-mining firm Palantir Technologies, which was tasked with closely scrutinizing employee communications.

By the time Point72 officially opened, SAC's headcount, once more than 1,200, had shrunk to less than 900. Several offices had been shuttered, among them beachheads in Chicago and London. Some of the more valued portfolio managers, who were embarrassed by the bad publicity and worried about their future prospects, were considered flight risks.

In response, the firm enlisted 250 people to help write a mission statement that emphasized good ethics, and established a new annual bonus that amounted to as much as 4 percent of an employee's compensation for adhering to compliance standards or helping the community. Individuals like Nick Tiller, a longtime energy portfolio manager who had founded a charitable organization called Sustainable America and remained friendly with the firm after leaving in late 2013, were held out as exemplars of the new thinking.

When the mission statement was announced to employees, "I got up in front of them and said, 'This is our mandate,'" Doug Haynes, the McKinsey alumnus who was made Point72's president in 2014, recalled in an interview last May. "You have to define what a great firm is."

Of course, none of the current or former Cohen employees interviewed for this article disagrees with that sentiment. But, gauzy prognostications of corporate greatness aside, some are chafing at the new risk-management and surveillance techniques that now characterize the Stamford trading floor — even as its market returns continue to leave competitors far behind. The role of "sector head," which once conferred billion-dollar-plus-sized pools of capital to trade and the opportunity to pitch investment ideas directly to Cohen, has been eliminated, and frequent e-mails about risk parameters and team-building are distracting to some, current and former employees say.

Late in 2015, multiple associates say that portfolio manager Derek Cribbs, once the industrials sector head, and Craig Shapiro, who traded industrial and materials-sector stocks, left the firm, as did Ben Cohen, who oversaw macro trading, a global discipline that spans a range of asset classes. And just a day before the SEC pact was disclosed, Chief Financial Officer Dan Berkowitz left after 15 years at Point72 and SAC, according to internal documents and associates. (Cribbs, Shapiro and Berkowitz did not respond to e-mailed requests for comment; Ben Cohen could not immediately be located for comment.)

"Our risk function plays a critical role in assisting our portfolio managers post replicable, sustainable, and superior risk-adjusted returns," Point72 spokesman Mark Herr said in a statement, noting that the firm's risk apparatus was a "partner" to traders and "not a policeman." On the issue of departures, he added that only 6 percent of Point72's portfolio managers had left voluntarily in 2015, with 20 new ones having been added in the same time frame.

Haynes, who has become Point72's de facto spokesperson, said in May that little or no time is spent on post-mortems on the events of two years ago. "The truth is, we don't think about it at all," he said. "The past is the past. … We can only live going forward. And the processes that are running right now are going to run their own course." He said at the time that the idea of reopening a hedge fund to external investors was never discussed.

But outside of Cohen's office, the notion frequently arose — and was given new vitality Friday with the admission that Point72 was indeed entertaining that possibility.

"If I heard that six months from now they were going to open their doors to public money, I would get my tent and I would be out front waiting so that they could take my money," said Ed Butowsky, a Dallas based money manager who was one of the last to pull money from SAC after its indictment. "The reality is, they're the greatest hedge fund managers of all time."